



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

April 20, 2001

S. 319

Airline Customer Service Improvement Act

*As ordered reported by the Senate Committee on Commerce, Science, and Transportation
on March 15, 2001*

SUMMARY

S. 319 would require air carriers to provide certain services to customers, including:

- providing timely information about delays;
- offering the lowest fare for which a customer is eligible; and
- disclosing to customers the performance of flights that are chronically canceled or delayed.

In addition, the bill would require air carriers to incorporate within their standard contract of carriage the provisions of the Airline Customer Service Commitment as agreed to by the members of the Air Transport Association on June 17, 1999. Finally, under the bill, each large air carrier would be required to establish a quality assurance system for measuring customer service.

Based on information from the Department of Transportation (DOT), CBO estimates that implementing the oversight, compliance, and enforcement efforts required by the bill would cost the department \$20 million over the 2001-2006 period. In addition, CBO estimates that air carriers would pay on average about \$1 million a year in additional civil fines under this bill. Such fines are recorded in the budget as receipts; therefore, pay-as-you-go procedures would apply.

S. 319 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). S. 319 would impose private-sector mandates on certain air carriers. CBO will provide an estimate of the impact of this legislation on the private sector in a separate statement.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 319 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars					
	2001	2002	2003	2004	2005	2006
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	a	4	4	4	4	4
Estimated Outlays	a	4	4	4	4	4
CHANGES IN REVENUES						
Estimated Revenues	0	1	1	1	1	1

a. Less than \$500,000.

BASIS OF ESTIMATE

For this estimate, we assume S. 319 would be enacted within the next few months. On that basis, CBO estimates that implementing the bill would cost \$20 million over the 2001-2006 period, assuming appropriation of the necessary amounts. CBO estimates that air carriers would pay civil fines totaling about \$5 million over the 2001-2006 period for violations of the bill's provisions.

Spending Subject to Appropriation

S. 319 would require DOT to monitor air carriers and enforce the customer service provisions of this bill. In addition, under the bill, DOT would issue new regulations concerning emergency medical assistance and deadlines for passenger check-in. It would also have to prepare reports on damage caused by air carriers to equipment owned by passengers with disabilities, and on service provided to passengers with disabilities. Based on information from DOT, CBO estimates that implementing S. 319 would cost approximately \$4 million a year for between 30 and 50 new employees to work primarily on monitoring and enforcement activities.

Revenues

S. 319 would impose civil fines on air carriers for violating the customer service requirements of the bill. Collections of civil penalties are recorded in the budget as governmental receipts (revenues). Under current law, air carriers pay between \$350,000 and \$1.5 million a year in civil fines for violating consumer protection requirements. Because S. 319 would significantly expand consumer protection efforts, CBO estimates, based on information from DOT, that air carriers would on average pay an additional \$1 million annually in fines under the bill.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. CBO's estimate of the net change in governmental receipts is shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Changes in outlays											
Changes in receipts	0	1	1	1	1	1	1	1	1	1	1

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 319 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act. The bill would require air carriers to coordinate with local airport authorities and airport operators regarding certain customer service procedures in terminal areas, but the cost to local airport authorities and airport operators to participate in this coordination with air carriers would not be significant.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 319 would impose private-sector mandates, as defined by UMRA, on certain air carriers. CBO will provide an estimate of the impact of this legislation on the private sector in a separate statement.

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